

## City of Alexandria, Virginia

## MEMORANDUM

**DATE:** NOVEMBER 16, 2011  
**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** BRUCE JOHNSON, ACTING CITY MANAGER  
**SUBJECT:** UPDATE ON PROPOSED DISPOSAL OF CITY REAL ESTATE

**ISSUE:** Status report on the City's effort to dispose of certain City properties identified as surplus or those that have potential for surplus.

**RECOMMENDATION:** That City Council receive this report.

**DISCUSSION:** The purpose of this report is to update City Council on the status of disposal of City properties that are no longer needed by the City.

1. **200 North Royal Street (Elder Crafters – also known as 405 Cameron Street)**
  - a. On July 14 public solicitation (RFP) for sale of property was advertised in the Alexandria Times and on the City Website.
  - b. Property was advertised for 30 days, closed on August 15.
  - c. Although some interest previously had been indicated, no responses were received to the RFP.
  - d. Property appraisal was completed October 3.
  - e. Property continues to be listed on the City's website, property has recently generated interest.
  - f. Staff has worked with Elder Crafters on alternate sites and has agreed to provide the group with space to sell their goods weekly at the Farmer's Market upon request.
2. **716 – 718 N. Columbus Street (Former ARCH Home)**
  - a. RFP for real estate agents issued in April
  - b. Proposals received from three real estate agent firms (Long & Foster, McEneaney, Tartan Properties) on May 25.
  - c. Real Estate agents interviewed for Real Estate Agent Pool and first property (716 – 718) June 10 and June 13.
  - d. Real estate agents selected for Real Estate Agent Pool and notified first property (716 – 718) June 15.
  - e. Met with selected real estate agent for 716 – 718 (Elfie Biankini – Long & Foster) June 23.
  - f. Ordered appraisal for both properties August 25; Appraisal received September 12.

- g. 716-718 has been listed with the selected real estate agent for appraised value of \$830,000 for the combined property. This listing price reflects the significant work needed to rehabilitate these two properties.

**3. 1505 Powhatan Street (Slaters Lane)**

- a. An RFP to sell the property via a competitive selection of developer proposals is planned.
- b. Staff held two meetings with Northeast Civic Association to discuss potential RFP language.
- c. Staff has prepared draft language with edits received from discussions with community representatives. The language is being reviewed by an inter-departmental team to finalize the RFP design principle language for community and Council consideration.

**4. 509 North Saint Asaph Street (Old Health Department) & 511, 513, 515 Oronoco Street (parking lot)**

- a. The building's current occupants include two small T&ES operations (Environmental Services and Survey), which are currently in the process of relocation to alternative City sites due to the existing condition of the building.
- b. Several environmental reports and building inspections have been completed that indicate poor existing building conditions, which make occupancy of the building infeasible at this time. The environmental reports confirm the presence of asbestos. The building inspections indicate that it is impractical to repair the HVAC systems. Currently the HVAC systems, a partial central air system, are in disrepair and it is necessary to by-pass the system by using window air conditioning units together with stand-alone fans. The radiator system, which is used for heating, is currently operating at minimal capacity.

The building's design has been described as barbell-shaped, and this results in very inefficient floor plates for modern office use. The two larger suites on each end of the building have approximately 2,800 square feet on each floor. The corridor has two main structural load bearing walls that extend the entire length of the building between each of the two suites. The corridor walls are 14 to 16 inches thick masonry. The potential office space along the main corridor averages 15 feet in width. This makes the office space along the corridors highly inefficient.

During the time that the basement has remained vacant, it has been flooded from time to time as a result of water penetration during heavy rains. In order to use this space it would be necessary to remove a majority of the drywall to prevent mold infestation. Additionally, the basement has no natural light, which makes it undesirable space for office use in its present condition. Architects that have viewed the building have suggested a major modification of the building by creating light wells on the exterior of the building and adding windows to bring natural light into the basement.

Building inspections have found code deficiencies such as restrooms which do not meet ADA requirements, and elevators and stairwells that are not in compliance with the code.

- c. The southern wing of the Old Health Department building is in the Old and Historic District, while the main part of the building and north wing are not. Planning and Zoning Historic Preservation staff has advised that the entire building is subject to historic preservation standards. The City Attorney's Office has confirmed this ruling. Additionally, the Old Health Department building and the associated Oronoco Street parking lot are currently a non-conforming use per the Planning and Zoning Department. The approved use for these properties is currently RM - residential.
- d. When completed, the independent appraisal that the City ordered for the property will include an analysis of four different redevelopment scenarios to determine the value of the property:
  - Alternative A (Renovating existing structure for office use)
  - Alternative B (Demolish building and rezone to CRMU-X)
  - Alternative C (Demolish building and develop with townhouses)
  - Alternative D (Convert existing building to condominiums)
- e. An unsolicited purchase offer for the Old Health Department building and the associated Oronoco Street parking lot was received on September 19, and remains pending while we review the status of the building with City Council.
- f. The City's historic preservation standards do allow for demolition through BAR and City Council consideration processes. These processes also allow for any property owners in the Old and Historic District to appeal a demolition decision, and if appealed, the property owner asking for the demolition would need to put the property on the market for a one-year period at an appraised non-demolition price. If no one purchases the property for that price, the property owner can then demolish the building.
- g. The effect of this Old and Historic impact on demolition (based on an independent appraisal) is that the sale value of the Old Health Department building would likely drop from between as much as \$7 million and \$8 million to a much lower number if the Old Health Department building is to be preserved. This is because the raw land with no building (and with upscale townhouse land value) is valued higher than the land and keeping the existing building preserved. While the associated Oronoco Street parking lot is in the Old and Historic District, this parking lot has no building on it and, therefore, development of that site raises fewer issues.
- h. Given the pending appraisal as well as the above information as it relates to the existing building condition, potential renovation costs, non-conforming use together with an unsolicited offer, the next step is for City staff to get the appraisal

completed and to come forward to City Council with a disposition recommendation. We also plan to consult with the BAR and the community.

**5. 401 East Braddock Road (corner of Braddock and Mt. Vernon Avenue)**

- a. Contract for Sale executed; 90 day due diligence period began.
- b. Due diligence (for contaminated soil) period was set to end on September 27. The City received a request from the developer to extend the inspection period for an additional 18 days. The request was granted. The inspection contingency expired on Tuesday, November 15, 2011.
- c. At the end of the inspection period, Yates has the option to affirm the contract; submit any revisions to renegotiate the contract based on environmental findings; or withdraw from the contract. Staff will report results at November 22 Council meeting.

**6. 3600 Jefferson Davis Hwy (Jefferson Davis & Reed Avenue)**

- a. AHC, Inc., a non-profit housing entity, wants to acquire this lot from the City as a part of the land assemblage needed for a proposed 59 unit affordable housing project. Phase I and Phase II concept submissions were delivered to the Planning and Zoning Department on September 30. This plan requires rezoning requiring consideration by Council
- b. Staff anticipates receiving this unsolicited proposal from AHC, Inc. for the property in 30 to 60 days.
- c. AHC, Inc. is proposing a plan for VHDA 2012 tax credit completion so Council would need to hear the land use case by February, 2012. The AHC, Inc. proposal is a 100% affordable project with all households at about 60% of median income.
- d. AHC, Inc. invited the Lynhaven community to tour similar affordable housing which AHC, Inc. has constructed and operates in Arlington.
- e. AHC, Inc. representatives discussed their proposal with the Lynhaven Civic Association in early November.
- f. AHC, Inc. is not requesting a City affordable housing loan, but will be asking to pay the City for the lot over an extended period of time. If agreed, that would be the only form of the City's affordable housing assistance for this project.

**7. 912, 916 and 920 King Street (King at S. Patrick – behind Misha's)**

The Department of General Services, Department of Planning and Zoning, and the Alexandria Economic Development Partnership will be developing a strategy to position the property for development of a potential high-end retail store, potentially with office on the upper floors.

**8. 0 Prince Street (Beachcomber property)**

- a. After the Waterfront Plan is adopted, assuming this item in the Waterfront Plan does not change, an RFP will be developed for reuse of the Beachcomber building after Council adoption of a Waterfront Plan. Depending on the language in the adopted Waterfront Plan, the proposed use is likely to be a restaurant. The preliminary thinking is that the City would lease this property long term, with the private sector funding all necessary capital improvements to this building and property.

**FISCAL IMPACT:** It is estimated that the net proceeds from the sale of these properties range from \$8 million to \$14 million. As these are one-time funds from the sale of an asset, they would be recommended to be reprogrammed to the City's Capital Improvement Program.

- 1) FY 2012 potential impact: \$2 to \$3 million from the following: 716& 718 North Columbus Street, 401 East Braddock Road, 200 North Royal Street, and 3600 Jefferson Davis Hwy.
- 2) FY 2013 potential impact: \$6 to \$11 million from the following: 1505 Powhatan Street and 509 North Saint Asaph Street (including 511, 513, 515 Oronoco Street lots).

**STAFF:**

Michele Evans, Deputy City Manager

Mark Jinks, Deputy City Manager

Jeremy McPike, Director, Department of General Services

Timothy Wanamaker, Deputy Director, Department of General Services

Christopher Spera, Deputy City Attorney